

04503

Earthquake Engineering Research Institute

Financial Statements

and

Reports Required under OMB Circular A-133

Year ended December 31, 2008

with

Report of Independent Auditors

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Data Collection Form

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WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT

Report of Independent Auditors

To the Board of Directors of the
Earthquake Engineering Research Institute

We have audited the accompanying statement of financial position of Earthquake Engineering Research Institute as of December 31, 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of Earthquake Engineering Research Institute. Our responsibility is to express an opinion on these financial statements, based on our audit. Earthquake Engineering Research Institute derived the prior year summarized comparative financial information from its December 31, 2007 financial statements and, in our report dated January 25, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Earthquake Engineering Research Institute as of December 31, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with "Government Auditing Standards," we have also issued our report dated January 27, 2009, on our consideration of internal control over financial reporting of Earthquake Engineering Research Institute and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and important for assessing the results of our audit.

We conducted our audit to form an opinion on the basic financial statements, taken as a whole. EERI presents the accompanying schedule of expenditures of federal awards for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." It is not a required part of the basic financial statements. We subjected such information to the auditing procedures we applied to the audit of the basic financial statements and, in our opinion, EERI fairly stated such information in all material respects in relation to the basic financial statements, taken as a whole.

Wilson Markle Stuckey Hardesty & Bott
Wilson Markle Stuckey Hardesty & Bott
January 27, 2009

Earthquake Engineering Research Institute
Statement of Financial Position
December 31, 2008 with comparative totals as of December 31, 2007

	Programs			Totals	Totals only
	Association	Technical	Endowment	2008	2007
Assets					
Current assets					
Cash and cash equivalents	\$ 183,703	\$ -	\$ -	\$ 183,703	\$ 140,590
Investments, at fair value	560,583	-	953,808	1,514,391	1,903,950
Grants and other receivables	389	62,693	-	63,082	115,407
Prepaid expenses	4,140	-	-	4,140	4,425
Total current assets	748,815	62,693	953,808	1,765,316	2,164,372
Property and equipment, at cost	150,710	-	-	150,710	139,130
Accumulated depreciation	(134,342)	-	-	(134,342)	(129,354)
Property and equipment, net	16,368	-	-	16,368	9,776
Deposits	18,515	-	-	18,515	2,588
Total assets	<u>\$783,698</u>	<u>\$62,693</u>	<u>\$953,808</u>	<u>\$1,800,199</u>	<u>\$2,176,736</u>
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ 81,545	\$ -	\$ -	\$ 81,545	\$ 138,980
Accrued liabilities	77,751	-	-	77,751	95,529
Deferred revenue	416,357	-	28,759	445,116	423,747
Due to (from) other funds	33,430	62,693	(54,145)	41,978	-
Total current liabilities	609,083	62,693	(25,386)	646,390	658,256
Net assets					
Unrestricted					
Undesignated	174,615	-	(66,054)	108,561	191,202
Board designated	-	-	744,254	744,254	958,404
Total unrestricted	174,615	-	678,200	852,815	1,149,606
Temporarily restricted	-	-	300,994	300,994	368,874
Total net assets	<u>174,615</u>	<u>-</u>	<u>979,194</u>	<u>1,153,809</u>	<u>1,518,480</u>
Total liabilities and net assets	<u>\$783,698</u>	<u>\$62,693</u>	<u>\$953,808</u>	<u>\$1,800,199</u>	<u>\$2,176,736</u>

See accompanying notes.

Earthquake Engineering Research Institute
Statement of Activities and Changes in Net Assets
Year ended December 31, 2008 with comparative totals for the year ended December 31, 2007

	Programs			Totals	Totals only
	Association	Technical	Endowment	2008	2007
Unrestricted net assets					
Support and revenue					
Contributions	\$ 67,608	\$ 825	\$ 67,502	\$ 135,935	\$ 61,442
Grants and contracts					
Federal Emergency					
Management Agency	306,081	79,288	—	385,369	477,738
National Science Foundation	—	137,028	—	137,028	221,680
Office of Emergency Services	—	66,054	—	66,054	9,800
Other	—	116,167	20,000	136,167	21,170
Membership dues	509,634	—	18,750	528,384	543,247
Publication subscriptions and sales	114,864	—	—	114,864	88,904
Conference registration fees	116,990	—	—	116,990	139,587
Net investment revenue (loss)	14,991	—	(283,476)	(268,485)	56,641
Other support and revenue	9,987	—	—	9,987	4,619
Restricted net assets released	—	—	21,806	21,806	24,977
Total support and revenue	1,140,155	399,362	(155,418)	1,384,099	1,649,805
Expenses					
Program	964,428	332,966	—	1,297,394	1,172,527
Endowment	—	—	110,013	110,013	98,011
Supporting	192,314	66,396	14,773	273,483	298,924
Total expenses	1,156,742	399,362	124,786	1,680,890	1,569,462
Change in unrestricted net assets	(16,587)	—	(280,204)	(296,791)	80,343
Temporarily restricted net assets					
Support and revenue					
Contributions	—	—	—	—	(2,695)
Net investment revenue (loss)	—	—	(46,074)	(46,074)	(21,520)
Restricted net assets released	—	—	(21,806)	(21,806)	(24,977)
Change in temporarily restricted net assets	—	—	(67,880)	(67,880)	(49,192)
Change in net assets	(16,587)	—	(348,084)	(364,671)	31,151
Net assets, beginning of year	191,202	—	1,327,278	1,518,480	1,487,329
Net assets, end of year	\$ 174,615	\$ —	\$ 979,194	\$ 1,153,809	\$ 1,518,480

See accompanying notes.

Earthquake Engineering Research Institute

Statement of Functional Expenses

Year ended December 31, 2008 with comparative totals for the year ended December 31, 2007

	Programs			Totals	Totals only
	Association	Technical	Endowment	2008	2007
Salaries and wages	\$466,615	\$ 91,196	\$ 25,194	\$ 583,005	\$ 538,956
Employee benefits	75,237	41,873	11,589	128,699	126,407
Other employee expenses	—	—	—	—	668
Accounting	8,900	—	—	8,900	8,900
Bank fees	23,632	—	—	23,632	22,420
Conferences and meetings	119,181	15,137	3,970	138,288	100,975
Equipment rental and maintenance	3,278	—	—	3,278	3,933
Fellowships and honoraria	9,700	48,276	5,000	62,976	125,594
Occupancy	135,200	—	—	135,200	143,415
Outside services	76,663	2,814	24,387	103,864	105,741
Other office expenses	11,569	—	—	11,569	13,823
Participant support and subcontracts	56,207	40,127	27,016	123,350	82,866
Postage and shipping	78,483	2,394	912	81,789	81,291
Printing and publications	164,830	3,507	1,864	170,201	120,746
Supplies	13,921	1,051	314	15,286	14,289
Telephone	7,744	1,352	91	9,187	7,209
Travel	19,051	45,917	1,569	66,537	63,821
Depreciation	4,988	—	—	4,988	6,520
Miscellaneous	10,141	—	—	10,141	1,888
Allocated indirect	(128,598)	105,718	22,880	—	—
Total expenses	1,156,742	399,362	124,786	1,680,890	1,569,462
Supporting expenses	192,314	66,396	14,773	273,483	298,924
Program expenses	<u>\$964,428</u>	<u>\$332,966</u>	<u>\$ 110,013</u>	<u>\$1,407,407</u>	<u>\$1,270,538</u>

See accompanying notes.

Earthquake Engineering Research Institute

Statement of Cash Flows

Year ended December 31, 2008 with comparative totals for the year ended December 31, 2007

	Programs			Totals	Totals only
	Association	Technical	Endowment	2008	2007
Cash flows from operating activities					
Change in net assets	(\$ 16,587)	\$ -	(\$348,084)	(\$364,671)	\$31,151
Adjustments to reconcile change in net assets to cash provided by operating activities					
Net investment (gains) losses	(61,343)	-	457,998	396,655	24,089
Depreciation	4,988	-	-	4,988	6,520
Changes to current assets and liabilities					
Grants and other receivables	913	51,412	-	52,325	(55,909)
Prepaid expenses	287	-	-	287	495
Accounts payable	(57,436)	-	-	(57,436)	111,845
Accrued liabilities	(17,778)	-	-	(17,778)	(31,206)
Deferred revenue	12,737	(3,352)	11,984	21,369	(79,196)
Net cash provided (used) by operating activities	(134,219)	48,060	121,898	35,739	7,789
Cash flows from investing activities					
Investment purchases	(313,030)	-	(152,945)	(465,975)	(806,540)
Proceeds from sales of investments	375,000	-	83,878	458,878	772,371
Property and equipment purchases	(11,580)	-	-	(11,580)	(3,388)
Change in deposits	(15,927)	-	-	(15,927)	2,484
Net cash provided (used) by investing activities	34,463	-	(69,067)	(34,604)	(35,073)
Cash flows from financing activities					
Due to (from) other funds	142,869	(48,060)	(52,831)	41,978	-
Net cash provided (used) by financing activities	142,869	(48,060)	(52,831)	41,978	-
Change in cash and cash equivalents	43,113	-	-	43,113	(27,284)
Cash and cash equivalents, Beginning of year	140,590	-	-	140,590	167,874
End of year	\$183,703	\$ -	\$ -	\$183,703	\$140,590

See accompanying notes.

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 1 – Summary of significant accounting policies

Basis of presentation

The Earthquake Engineering Research Institute (EERI) is a California nonprofit that incorporated on November 4, 1948, and operates from offices in Oakland, California. EERI is a national, nonprofit, technical society of engineers, geoscientists, architects, planners, public officials and social scientists. The members of EERI include researchers, practicing professionals, educators, government officials and building code regulators. The objective of EERI is to reduce earthquake risk by advancing the science and practice of earthquake engineering, improving understanding of the impact of earthquakes on the physical, social, economic, political and cultural environment and advocating comprehensive and realistic measures for reducing the harmful effects of earthquakes.

Basis of accounting

EERI prepares its financial statements on the accrual basis of accounting. EERI recognizes revenue when earned and expenses when incurred.

EERI recognizes unconditional contributions upon receipt and conditional contributions upon meeting the conditions. EERI recognizes restricted grant and contract support and revenue when it incurs the related expenses and meets all restrictions. EERI recognizes membership dues in the calendar year its members receive the related benefits. EERI recognizes publication subscriptions and sales and conference registration fees upon publication shipment or conference completion. EERI recognizes net investment revenue when earned.

EERI charges certain eligible expenses for future meetings and publications to various grants and contracts when incurred. Due to relatively small quantities and short relevancy periods, EERI recognizes expenditures for publication materials when incurred. Accordingly, EERI does not include an inventory of materials, supplies or publications herein and it has not determined their remaining cost.

EERI maintains its internal accounting records in accordance with the principles of fund accounting. EERI classifies resources for accounting and reporting into funds established according to their nature and purpose. EERI maintains separate accounts for each fund. In the accompanying financial statements, EERI combined funds that have similar characteristics into fund groups or programs. Accordingly, EERI records all financial transactions by fund program, as follows:

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 1 – Summary of significant accounting policies (continued)

Association Programs represent unrestricted funds made up of the general and association program funds. The general fund consists of expendable funds available for support of the general operations of EERI, including membership services, publication activities and continuing education. Association Program funds include funds designated by the Board of Directors for national and international conferences, seminars and meetings on earthquake engineering and continuing education programs. Restricted grant and contract support and revenue partially fund various conferences.

Technical Programs represent funds restricted to specific projects sponsored by EERI. Restricted grant and contract support and revenue partially or fully fund these projects. EERI elects to recognize restricted grant and contract support and revenue as unrestricted net assets when it receives, incurs the related expenses and meets all restrictions within the same year.

The EERI Board of Directors established the Endowment fund using a portion of its investments. It is the intent of the Board of Directors to restrict permanently the net assets of the Endowment fund. EERI uses the revenue (and the principal, when authorized) of the Endowment fund to further its objectives and for other such purposes as authorized by the Board of Directors. An Endowment Committee appointed by the Board of Directors administers the Endowment fund. This fund also includes contributions deferred for more than one year or for a specific purpose, including the Shah Family Innovation Prize and Friedman Family funds (Note 4). EERI reports general endowment funds as board designated (unrestricted) and deferred contributions as temporarily restricted.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and on deposit with a commercial bank, all available within 90 days of demand.

Investments

Investments consist principally of registered investment company shares invested in money market instruments, fixed income and equity securities. EERI presents its investments at fair value. Fair value of registered investment company shares is the fair value of the underlying investments plus accrued income. Net investment revenue (loss) includes interest, dividends, realized gains and losses and unrealized

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 1 – Summary of significant accounting policies (continued)

appreciation and depreciation less management fees, on it cash and cash equivalents and investments.

Grants and other receivables

Grants and other receivables consist principally of amounts expended by EERI under government grants and contracts but not reimbursed by the government grantor or contractor. Ordinarily and historically, EERI collects all grants receivable and, accordingly, does not recognize an allowance thereon. EERI uses the allowance method to estimate any uncollectible other receivables. Under this method, EERI reviews all other receivables, and estimates, based on aging, debtor history and other information, an allowance. When EERI exhausts all attempts to collect specific other receivables or the debtor discharges the other receivable in bankruptcy, EERI writes off the other receivable against the estimated allowance. As of December 31, 2008, EERI estimated that any allowance would be immaterial to its financial position and, accordingly, recorded no allowance herein.

Property and equipment

Property and equipment consists of furniture and equipment stated at acquisition cost or fair market value, when donated. EERI capitalizes property and equipment purchases over \$150. EERI records depreciation using the straight-line method over the estimated useful lives of the property and equipment, which normally ranges from three to five years. EERI expenses property and equipment purchased with restricted grant and contract support because title to those assets remains with the grantor or contractor.

Deferred revenue

Deferred revenue consists principally of membership dues, publication subscriptions and sales and conference registration fees collected in advance of the respective membership year, publication shipment or conference completion.

Indirect costs

EERI allocates certain indirect costs to the Association and Technical Programs and the Endowment fund based on estimated indirect cost rates approved by the U. S. Government. The general fund of the Association Programs absorbs the difference between actual and estimated indirect costs.

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 1 – Summary of significant accounting policies (continued)

Program and supporting expenses

EERI allocates indirect costs between program and supporting expenses based on estimates of usage and benefit.

Income taxes

Governmental authorities advised EERI that it is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue and Taxation Code of the State of California, respectively. EERI believes it has operated, since the determinations, in a manner that would not jeopardize its tax-exempt status. In addition, EERI believes that none of its activities are subject to unrelated business income taxes. Accordingly, EERI did not provide for income taxes herein.

Use of estimates

EERI prepares its financial statements in accordance with accounting principles generally accepted in the United States (US-GAAP). The preparation of financial statements in conformity with US-GAAP requires management to make estimates and assumptions that affect the amounts and disclosures reported herein. Actual results could differ from those estimated.

Estimated fair value of financial instruments

Except as otherwise noted, EERI estimates that the aggregate net fair value of financial instruments recognized on the statement of financial position (including receivables, payables and accrued expenses) approximates their carrying value.

Prior year totals

The columns on the accompanying financial statements captioned "Totals only" represent certain prior-year summarized comparative information in total but not by net asset class or fund designation. Such information does not include sufficient detail to constitute a presentation in conformity with US-GAAP. Accordingly, read such information only in conjunction with the financial statements of EERI for the prior year, from which EERI derived the summarized information. EERI reclassified certain prior year balances to conform to the current year presentation.

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 2 – Investments

As of December 31, 2008 and 2007, investments, all held by one investment firm and managed by one investment management firm, total as follows:

	<u>2008</u> <u>Fair value</u>	<u>2008</u> <u>Cost</u>	<u>2007</u> <u>Fair value</u>	<u>2007</u> <u>Cost</u>
Cash and money				
market funds	\$ 474,043	\$ 474,043	\$ 216,123	\$ 216,213
Fixed income securities	502,229	578,682	830,707	864,646
Domestic equities	313,674	436,376	527,535	436,376
International equities	101,159	134,434	177,018	134,434
Mixed	120,989	155,572	148,322	147,863
Accrued income	<u>2,297</u>	<u>2,297</u>	<u>4,245</u>	<u>4,245</u>
Total investments	<u>\$1,514,391</u>	<u>\$1,781,404</u>	<u>\$1,903,950</u>	<u>\$1,803,687</u>

During the years ended December 31, 2008 and 2007, net investment revenue (loss), totaled as follows:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents		
Interest	\$ —	\$ 41
Investments		
Dividends and interest	89,951	69,040
Realized gains (losses) and unrealized appreciation (depreciation)	(396,655)	(24,089)
Management fees	<u>(7,855)</u>	<u>(9,871)</u>
Net investment revenue (loss)	(314,559)	35,121
Net investment (revenue) loss allocated to Temporarily restricted net assets	<u>46,074</u>	<u>21,520</u>
Unrestricted net assets	<u>(\$268,485)</u>	<u>\$56,641</u>

Fair values for securities and other investments that underlie investments presented herein have declined significantly since December 31, 2008.

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 3 – Grants and other receivables

As of December 31, 2008 and 2007, grants and other receivables total as follows:

	<u>2008</u>	<u>2007</u>
Federal Emergency Management Agency	\$31,742	\$ 83,281
National Science Foundation	—	19,853
Other grantors	30,190	10,970
Miscellaneous	<u>1,150</u>	<u>1,303</u>
Total grants and other receivables	<u>\$63,082</u>	<u>\$115,407</u>

Note 4 – Temporarily restricted net assets

As of December 31, 2008 and 2007, temporarily restricted net assets reconcile as follows:

	<u>2008</u>	<u>2007</u>
Balances, beginning of year	\$368,874	\$418,066
Contributions		
Shah Family Innovation Prize	—	(2,695)
Friedman Family Fund for Visiting Professionals	<u>—</u>	<u>—</u>
Total contributions	—	(2,695)
Net investment revenue (loss)		
Shah Family Innovation Prize	(13,716)	(7,751)
Friedman Family Fund for Visiting Professionals	<u>(32,358)</u>	<u>(13,769)</u>
Total net investment revenue (loss)	(46,074)	(21,520)
Net assets released from restrictions		
Shah Family Innovation Prize	(11,654)	(17,284)
Friedman Family Fund for Visiting Professionals	(10,152)	(7,693)
Others	<u>(—)</u>	<u>(—)</u>
Total net assets released from restrictions	<u>(21,806)</u>	<u>(24,977)</u>
Balances, end of year	<u>\$300,994</u>	<u>\$368,874</u>

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 5 – Conference registration fees

During the years ended December 31, 2008 and 2007, conference registration fees totaled as follows:

	<u>2008</u>	<u>2007</u>
Annual Meeting	\$ 59,470	\$ 85,147
Technical seminars	<u>57,520</u>	<u>54,440</u>
Total conference registration fees	<u>\$116,990</u>	<u>\$139,587</u>

Note 6 – Credit risks and concentrations

At various times during the years ended December 31, 2008 and 2007, EERI had deposits at a commercial bank exceeding federal deposit insurance limits.

One investment firm holds all of the accounts that EERI uses for its investments. One investment management firm makes the investment decisions for EERI, based on an investment policy approved by the EERI Board of Directors. Investments are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the fair value of an investment due to changes in conditions. EERI reduces risk to its invested assets by periodically reviewing investments for compliance with the investment policy and investment return for comparability to the general market and related investment returns. EERI also reduces risk to its invested assets by periodically reviewing the investment firm for financial stability and the investment management firm for compliance with the investment policy, responsiveness to requests from EERI, timeliness and accuracy of reporting investment transactions and overall performance in relation to management fees paid.

During the years ended December 31, 2008 and 2007, grants and contract support from the Department of Homeland Security – Federal Emergency Management Agency totaled 29% and 30%, respectively, of total support and revenue.

During the years ended December 31, 2008 and 2007, grants and contract support from the National Science Foundation totaled 10% and 14%, respectively, of total support and revenue.

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 6 – Credit risks and concentrations (continued)

During the years ended December 31, 2008 and 2007, membership dues totaled 40% and 34%, respectively, of total support and revenue.

Certain support and revenue of EERI results directly or indirectly from specific earthquakes. Due to the uncertain nature of earthquakes, such support and revenue may increase or decrease in the future.

A significant reduction in any of the above support and revenue sources, if it occurred, may have an adverse effect on the extent of the activities of EERI.

Note 7 – Commitments and contingencies

EERI leases its office facility pursuant to a non-cancelable operating lease that expires December 31, 2013. Required future minimum lease payments during the years ended December 31 total as follows:

2009	\$116,377
2010	124,403
2011	124,403
2012	124,403
2013	<u>124,403</u>
Total required future minimum lease payments	613,989
Deferred rent liability	(<u>29,338</u>)
Net required future minimum lease payments	<u>\$584,651</u>

During the year ended December 31, 2008 and 2007, EERI incurred rent expense totaling \$117,484 and \$117,576, respectively. In addition to office rent, occupancy expenses include certain payments for operations, maintenance, repairs and property taxes allocable to individual tenants and parking, storage, utilities and janitorial services paid directly by EERI.

Earthquake Engineering Research Institute
Notes to Financial Statements
December 31, 2008

Note 7 – Commitments and contingencies (continued)

EERI received grant and contract support and revenue pursuant to agreements with several agencies of the U. S. Government. The agreements provide the U. S. Government the opportunity to review or audit the expenditure of grant and contract support and revenue to establish compliance with federal laws and regulations and the specific terms of the agreements. Management believes EERI has complied with the various agreement restrictions and that any adjustments, if they were to occur, would be immaterial to the financial position of EERI.

Note 8 – Retirement plan

EERI sponsors a defined contribution salary deferral plan under IRC section 403(b) for its eligible employees. Eligible employees may contribute up to 100% of their eligible salary to the 403(b) Plan, subject to limits imposed under the Internal Revenue Code. In addition, EERI sponsors a comprehensive benefits plan. EERI calculates and contributes amounts equal to 16% of the salary of each eligible employee. Employees may elect to use their share of EERI contributions to buy certain medical, life and related insurance and contribute to the 403(b) Plan. During the years ended December 31, 2008 and 2007, EERI contributed \$87,275 and \$84,346 to the comprehensive benefits plan.

Earthquake Engineering Research Institute
Schedule of Expenditures of Federal Awards
Year ended December 31, 2008

Agency, title and number	CFDA	Award	Expenditures	
			2008	Cumulative
Department of Homeland Security				
Federal Emergency Management Agency				
Constituency Support Initiative				
EMW-2004-CA-0297	97.039	\$1,240,000	\$288,070	\$ 1,240,000
Identify and Reduce Earthquake Risk Posed by				
Nonductile Concrete Buildings				
HGMP-1628-39-17 / FEMA-1628-DR-CA-0039	97.039	214,634	66,054	75,854
National Earthquake Hazards Reduction Program				
EMW-2008-CA-0625	97.039	336,000	51,415	51,415
Total Department of Homeland Security		1,790,634	405,539	1,367,269
Department of the Interior				
U. S. Geological Survey				
Scenario Workshop				
05HQGR0164	15.807	140,000	116,167	117,338
Total Department of the Interior		140,000	116,167	117,338
National Science Foundation				
Learning from Earthquakes				
CMMI-0650182	47.041	200,000	19,800	200,000
Learning from Earthquakes				
CMMI-0758529	47.041	160,000	113,500	113,500
2nd International Conference on				
Urban Disaster Reduction				
CMMI-0749476	47.041	23,250	1,243	20,974
Future of Interdisciplinary Research				
EEC-0705031	47.041	50,000	—	50,000
Total National Science Foundation		433,250	134,543	384,474
Totals		\$2,363,884	\$656,249	\$1,869,081

- 1 - Subgrantor is Building Engineering Sciences and Technology Team
2 - Subgrantor is State of California - Governor's Office of Emergency Services

Earthquake Engineering Research Institute
Schedule of Expenditures of Federal Awards
Year ended December 31, 2008

Agency, title and number	CFDA	Award	Expenditures	
			2008	Cumulative

Basis of presentation

Note 1 – The accompanying schedule of expenditures of federal awards includes the federal grant activity of Earthquake Engineering Research Institute, presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Supplemental Reports

WILSON
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Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
"Government Auditing Standards"

To the Board of Directors of the
Earthquake Engineering Research Institute

We have audited the financial statements of Earthquake Engineering Research Institute as of and for the year ended December 31, 2008, and have issued our report thereon dated January 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the internal control over financial reporting of Earthquake Engineering Research Institute to design our auditing procedures to express our opinion on the financial statements and not to express an opinion on the effectiveness of the internal control over financial reporting of Earthquake Engineering Research Institute. Accordingly, we do not express an opinion on the internal control over financial reporting of Earthquake Engineering Research Institute.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability of Earthquake Engineering Research Institute to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States, such that there is a more than remote likelihood that the internal control of Earthquake Engineering Research Institute will not prevent or detect a misstatement of the financial statements of Earthquake Engineering Research Institute that is more than inconsequential.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that the internal control of

Earthquake Engineering Research Institute will not prevent or detect a material misstatement of the financial statements of Earthquake Engineering Research Institute.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Earthquake Engineering Research Institute are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we are required to report under "Government Auditing Standards."

We noted certain matters that we reported to the management of Earthquake Engineering Research Institute in a separate letter dated January 27, 2009.

We intend this report solely for the information and use of the audit committee, management, others within Earthquake Engineering Research Institute and federal awarding agencies and pass-through entities. We do not intend this report for anyone other than the specified parties and no one other than the specified parties should use this report.



Wilson Markle Stuckey Hardesty & Bott
January 27, 2009

WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT

Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Directors of the
Earthquake Engineering Research Institute

Compliance

We have audited the compliance of Earthquake Engineering Research Institute with the types of compliance requirements described in the "U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2008. We identified the major programs of Earthquake Engineering Research Institute in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the management of Earthquake Engineering Research Institute. Our responsibility is to express an opinion on the compliance of Earthquake Engineering Research Institute, based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance of Earthquake Engineering Research Institute with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance by Earthquake Engineering Research Institute with those requirements.

In our opinion, Earthquake Engineering Research Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control over Compliance

The management of Earthquake Engineering Research Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance of Earthquake Engineering Research Institute with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures to express our opinion on compliance, but not to express an opinion on the effectiveness of the internal control over compliance of Earthquake Engineering Research Institute.

A control deficiency in the internal control over compliance of Earthquake Engineering Research Institute exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability of Earthquake Engineering Research Institute to administer a federal program, such that there is a more than remote likelihood that the internal control of Earthquake Engineering Research Institute will not prevent or detect noncompliance with a type of compliance requirement of a federal program that is more than inconsequential.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that the internal control of Earthquake Engineering Research Institute will not prevent or detect a material noncompliance with a type of compliance requirement of a federal program.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, others within Earthquake Engineering Research Institute and federal awarding agencies and pass-through entities. We do not intend this report for anyone other than the specified parties and no one other than the specified parties should use this report.


Wilson Markle Stuckey Hardesty & Bott
January 27, 2009

Earthquake Engineering Research Institute
Schedule of Finding and Questioned Costs
Year ended December 31, 2008

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Earthquake Engineering Research Institute.
2. The "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with 'Government Auditing Standards'" reported no significant deficiencies related to the audit of the financial statements.
3. The audit disclosed no instances of noncompliance material to the financial statements of Earthquake Engineering Research Institute.
4. The "Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133" reported no significant deficiencies related to the audit of the major federal award programs.
5. The auditor's report on compliance expresses an unqualified opinion on the major federal award programs of Earthquake Engineering Research Institute.
6. This schedule (below) reports audit findings, when required, in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program(s) tested as major programs included:
 - Department of Homeland Security – Federal Emergency Management Agency
Hazard Mitigation Grant – 97.039
 - Department of the Interior – U.S. Geological Survey
Earthquake Hazards Reduction Program – 15.807
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Earthquake Engineering Research Institute qualified as a low-risk auditee.

Findings – Financial Statements Audit

None found or reported.

Findings and Questioned Costs – Major Federal Award Programs Audit

None found or reported.

**WILSON
MARKLE
STUCKEY
HARDESTY
& BOTT LLP**

CERTIFIED PUBLIC
ACCOUNTANTS

DONALD WILSON
ALAN MARKLE
CHARLES STUCKEY
DAVID HARDESTY
DAVID BOTT
DAVID BAILEY
MICHAEL SMITH

Separate Communication Indicating No Material Weaknesses

To the Management and Board of Directors of the
Earthquake Engineering Research Institute

We have audited the financial statements of Earthquake Engineering Research Institute (EERI) as of and for the year ended December 31, 2008, and have issued our report thereon dated January 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

In addition, in planning and performing our audit, we considered the internal control over financial reporting of EERI to design our auditing procedures to express our opinion on the financial statements and not to express an opinion on the effectiveness of the internal control over financial reporting of EERI. We issued a separate report, without expressing our opinion, on the internal control over financial reporting of EERI, dated January 27, 2009. In that report, we did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined in that report. However, we made the following separate suggestion to the management of EERI:

EERI uses external spreadsheets to track cash receipts rather than the cash receipts module of its accounting software. We believe that EERI would achieve better efficiency and accuracy in recording cash receipts by using the cash receipts module of its accounting software rather than external spreadsheets to track cash receipts.

We intend this report solely for the information and use of the audit committee, management, others within Earthquake Engineering Research Institute and federal awarding agencies and pass-through entities. We do not intend this report for anyone other than the specified parties and no one other than the specified parties should use this report. In addition, read this report only in conjunction with our report on the internal control over financial reporting of EERI, dated January 27, 2009.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott
January 27, 2009